

E28-9854a

DOCUMENT NO. \_\_\_\_\_  
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DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: \_\_\_\_\_  
AUTH: HR 0-2  
DATE: 17/1/61 REVIEWER:  

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The Honorable Gordon Gray  
Assistant Secretary of Defense (ISA)  
Washington 25, D. C.

Dear Gordon:

Many thanks for your note of 17 January  
bringing to my attention the Memorandum of  
Conversation prepared by Horace Smith in  
Manila.

I read it with considerable interest and,  
as you requested, I am returning it herewith.

Sincerely,

*[Signature]*

Allen W. Dulles  
Director

OSD REVIEW COMPLETED

Enclosure

STAT

O/DCI  : jmf/1/25/57  
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WASHINGTON 25, D. C.**Executive Registry  
8-9854

17 January 1957

## INTERNATIONAL SECURITY AFFAIRS

In reply refer to I-12209/7

Document No. \_\_\_\_\_

Review of this document by CIA has  
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- CIA has no objection to declass  
 It contains information of CIA  
interest that must remain  
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Authority: HR 16-2

 It contains nothing of CIA interest  
Date 1/12/81 Reviewer [ ]

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Dear Allen:

You will be interested, I think, in the attached  
Memorandum of Conversation. I should appreciate  
your returning it to me.

Sincerely,

Gordon Gray  
Assistant Secretary of Defense (ISA)

## Incl-Memo of Conversation:

Pres Magsaysay, Gen Kuter,  
Gen Ackerman & Minister Smith  
on 4 Jan 57

The Honorable Allen W. Dulles

Director of Central Intelligence

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AM POUCH

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Mr. Gordon Gray

Desp. No. 539

FROM: American Embassy, Manila

January 6, 1967

TO: The Department of State, Washington

REF:

SUBJECT: MEMO OF CONVERSATION: President of the Philippines, Ramon MACAPAY SAY; General KUTER; General ACKERMAN; Minister SMITH, January 4, 1967.

Following the New Year's Diplomatic Reception today, General Kuter was received by the President for a confidential conversation in the presence of General SAY and Minister Smith.

General Kuter told the President that he had enjoyed very much his contact with Ambassador NERI who had called on him in Japan and that, naturally, he had a personal interest in the whole bases matter. General Kuter added that he hoped that he would continue to be able to benefit from this friendly and worthwhile association with the Ambassador. The President said that he had made a serious mistake in not appointing Neri sole negotiator for the bases negotiations in the same manner as he had appointed him sole negotiator to handle the Japanese reparations problem, but unfortunately the panel concept had been agreed to a few days after he had entered office and its composition had been largely determined by the old-time Nacionalista party leaders with whom he had had at that time a very delicate relationship. At the time he himself had just been drafted into the Nacionalista Party from the Liberal Party and was not in a position to oppose composition of the panel as suggested by the Nacionalista Party. He said, however, that he felt he would be in a position in about two weeks to come out very strongly and handle the whole problem provided he could reach a quiet agreement as to the type of understanding that would meet his approval and that of the President of the Senate and ROMUALDEZ, Speaker Pro-tempore of the House. He said that the great problem had been to assure that the Liberal Party would support him rather than someone else. The President had been working for the past year to assure that the Liberal Party would support him rather than RECTO and now he had that assurance. The President is confident that the Liberal Party will come forth next week with a resolution supporting him for President following his New Year's appeal. He said Recto was now like a commander without a beachhead, an airplane without a landing field -- he had nowhere to go.

Minister Smith then told him that he hoped within about ten days' time to be able to come in and talk with him about a type of approach to a settlement of the bases problem that would meet with his approval and that would enable both sides to move forward again toward the satisfactory solution of these problems without further delay. General Kuter said that from his point of view it would be very helpful if this could be accomplished. General Kuter also said that we have to have firm information on additional bases facilities here quickly if we are to avoid being forced

**SECRET**

Page 2  
Desp. 539  
From Manila

SECRET

into building bases in the Marianas or still further back to accommodate units now literally being physically, though not politically, crowded out by Japan's rapidly growing forces.

The President remarked that the problem of jurisdiction over on base-off duty offenses seemed the key to the matter as far as he was concerned and if we could write down on paper a solution which would be satisfactory to him and the two men he mentioned, he felt he could go to Washington, spend two or three days and close out this whole thing -- simply laying it on the table to the legislative group here and saying "This is the way it has to be -- this is it". The President said that a settlement would have to be worked out quietly between himself and Minister Smith in much the same manner that agreement had been reached on the Magsaysay-Nixon statement during the three months prior to Nixon's visit. The President admitted that the question of waiving jurisdiction on all those cases which were not considered of great national importance appeared to be the one factor that was holding up the jurisdiction issue. He said that the cases that would, in fact, be considered of great importance to the Philippine National Government would not be many in number. Minister Smith remarked that he had never understood why so much difficulty had been made by the Philippine negotiators over this point because the Philippine Government, under the solution we had once suggested, would obviously have had complete authority to decide what cases were of national importance and the refusal to agree to waive in advance the right to try cases not considered by the Philippine Secretary of Justice as being of great national importance did not appear to involve sufficient importance to the Philippines in practice to have been permitted to bring the negotiations to a halt. The President asked that Minister Smith write down on paper for him an explanation of this point and the way it should work. The President said that this is a matter that he wished to handle with Minister Smith alone or with Mr. Walker and Minister Smith. The President said he would be very pleased to "sneak out of the Palace" at any time to come to Minister Smith's residence to talk about this and left it up to Minister Smith to get in touch with him about timing. The President was very anxious to keep out of Barrera's hands any information regarding these conversations and plans until they were a fait accompli. He said that Barrera was a Communist and that he had just gotten a twenty page confession from his own former English teacher, who had been associated as a Communist with the Civil Liberties Union, which would prove that the Civil Liberties Union was Communist, and that he was not going to have any problem in handling Barrera and his group. He would get rid of them piecemeal.

The President also remarked that the publisher of the Chronicle, Eugenio Lopez, had gone to India and that he, Magsaysay, had learned from his military attaches of Lopez' conversations with Chou En-Lai and in which the former had requested funds for the support of the Chronicle. He was sure that the financial pressure he had been bringing to bear on the Lopez interests had been partly responsible for this desperate move on their part, though he was sure the Lopez interests didn't care where they got their money. Minister Smith commented that he doubted whether the Chronicle

SECRET

Page 3  
 Desp. 639  
 From Manila

SECRET

could have followed Communist lines more closely during the past four months had it already been supported by Communist funds. The President agreed and said he did not think the Chronicle and Lopez would be a problem.

The President repeated that he wanted to work out confidentially an agreement as soon as possible, concurrently with his bringing the Liberal Party into firm commitment to back him and then go to Washington for three days to clinch reassert and announce agreement.

The President then stated that if he could get an airplane from the U.S. Air Force to go to Washington it would simplify matters. He asked if General Kuter could assure him that a plane would be provided. General Kuter said he would personally guarantee that he would get the transportation.

Minister Smith then remarked that he knew that one of General Kuter's major concerns was with regard to problems of air defense and that he felt it would be of interest and might be helpful to the President if the General could give him some indication of what he felt the problems were that were confronting the Philippines today.

General Kuter said that in considering the Communist threat in the Asian area, if he were in command of the Communist forces and were considering an attack on the Japan-Formosa-Philippine line with the purpose of destroying the industrial facilities of Japan, the military ground forces of Formosa, and the raw materials and manpower potentials of the Philippines, he would be seriously deterred in attacking Japan if he had the knowledge (which he was sure the Communists would have) that Japan was strongly defended by an adequate air defense. The securing of the control of the air precedent to the final seizure of Japan would in that case be a most costly operation. He thought that there were two major factors which any Communist commander would consider most carefully. The first was the deterrent force in being which the U.S. held in readiness at all time and which undoubtedly kept the Communists from being more willing to display their military wares than they were at present and the second deterrent was a strong air defense in the possible target areas. He then went on to mention that the Communists combat air strength is in the neighborhood of 8,000 combat aircraft of which about 4,000 were good quality jet aircraft, 3,500 of which were for their own air defense. He pointed out upwards of 1,000 jet light bombers are available either in Eastern Siberia or Southern China and could strike the Philippines directly without deployment outside of Communist China.

Minister Smith then asked if the General could tell the President whether in his personal opinion he felt that, in view of the current situation, the air defense already being planned for the Philippines through 1961 could be considered fully adequate to meet this threat. General Kuter then stated that truthfully he felt that such was not the case, that the one fighter wing for the Philippines Air Force, plus a fighter bom-

SECRET

Desp. 539  
From Manila

SECRET

wing of supersonic aircraft for the U.S. Air Force deployed in the Philippines, plus the one all-weather fighter squadron now here, would be considered a start but that if we were to be prepared to deter the Communists attacking the Philippines to the same measure as they could expect to be deterred in Japan, a considerably larger air defense structure for the Philippines would have to be arranged for. The President then remarked that this seemed obvious to him also.

The President asked General Kuter whether the Communists could bring paratroopers into the Philippines. General Kuter replied that as he viewed the Communists had paratroops, but he felt that they would not have a sufficiency of long-range aircraft to land adequate forces. He further made the point that it was essential for any operation of that type involving paratroopers to obtain control of the air in order to support by air any such forces put in by air and if adequate air defenses were available which would afford the defensive forces time for complete air reinforcements, such a landing in his view could be prevented. General Kuter further made the point that rapid reaction to any Communist overt move was the essence of military preparedness and that that could only be obtained by maintaining an adequate air defense and creating the ability to strike back quickly from bases in the Philippines.

As the President was rising to close the interview, Minister Smith suggested that the problem of adequate air defense for the Philippines was probably one of the items that the President might wish to discuss with him further during the next ten days. Minister Smith then said that he hoped within three days to be able to talk with the President about the problem of the hospital at Fort McKinley and told him he was confident that the proposed solution would be satisfactory to the President.

Horace H. Smith  
Charge d'Afaires, a. i.

Please pass copies to:

Department of Defense: Gray, Bendetsen, Sprague  
ComNavPhil:  
13th Air Force: Stevens, Haskin  
PEAF: Todd  
CINCPAC: Stump, Smith

secret